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New York

President:	Mr. Pleuger	(Germany)
Members:	Algeria	Mr. Benmehidi
	Angola	Mr. Gaspar Martins
	Benin	Mr. Adechi
	Brazil	Mr. Sardenberg
	Chile	Mr. Muñoz
	China	Mr. Zhang Yishan
	France	Mr. De La Sablière
	Pakistan	Mr. Akram
	Philippines	Mr. Baja
	Romania	Mr. Motoc
	Russian Federation	Mr. Isakov
	Spain	Ms. Menéndez
	United Kingdom of Great Britain and Northern Ireland	Sir Emyr Jones Parry
	United States of America	Mr. Siv

Agenda

The role of business in conflict prevention, peacekeeping and post-conflict peace-building

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04-31027 (E)

The meeting was called to order at 10.15 a.m.

Adoption of the agenda

The agenda was adopted.

The role of business in conflict prevention, peacekeeping and post-conflict peace-building

The President: In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. James D. Wolfensohn, President of the World Bank.

It is so decided.

I invite the President of the World Bank to take a seat at the Council table.

In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. Heinrich von Pierer, President and Chief Executive Officer of Siemens.

It is so decided.

I invite the President and Chief Executive Officer of Siemens to take a seat at the Council table.

In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Her Excellency Ms. Marjatta Rasi, President of the Economic and Social Council.

It is so decided.

I invite the President of the Economic and Social Council to take a seat at the Council table.

In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to His Excellency Mr. Dumisani Kumalo, Chairman of the Ad Hoc Advisory Group on African Countries emerging from conflict.

It is so decided.

I invite the Chairman of the Ad Hoc Advisory Group on African Countries emerging from conflict to take a seat at the Council table.

The Security Council will now begin its consideration of the item on its agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

Please allow me to make a few opening remarks to explain the framework of this meeting.

Political and economic stability in conflict prevention — as well as in post-conflict recovery — are closely interrelated. This must be reflected inside and outside the broader United Nations system, including the international financial institutions, of which the World Bank is one of the most prominent. Much has been done already to improve coherence and efficiency between the different actors. One example of this is the establishment of the Economic and Social Council Ad Hoc Advisory Group for African Countries emerging from conflict.

The role of the individual enterprise in the private sector as a whole deserves particular attention in this context. This refers to the whole complex of the entrepreneurial responsibility, to the so-called "global corporate citizenship" on the one hand, and the huge potential that the private sector can provide in any development or reconstruction strategy at national or regional levels on the other hand.

Today, as a consequence of globalization, the international private sector is more involved in the issues of the stability and the prosperity of conflict-prone countries than in previous decades. Economic and social stability is a major factor in preventing armed conflict and failing States. In post-conflict peace-building, the disarmament, demobilization and reintegration process can be accomplished only if job opportunities provided by the private sector are available. In its mission to Afghanistan half a year ago, the Security Council experienced on the ground that only if there is a true alternative, a true prospect of making a living, are soldiers and combatants willing to give up their arms.

I realize that this meeting is a first in this discussion, in this kind of format. I believe it is appropriate for the Security Council, as a forum responsible for the maintenance of international peace and security, to address the role business can play in

conflict prevention, peacekeeping and post-conflict peace-building.

On behalf of my colleagues on the Council, let me say how pleased I am to welcome representatives of those actors that play a decisive role in dealing with this important aspect of armed conflict: the Secretary-General, Ambassador Rasi and Ambassador Kumalo, as representatives of the United Nations system, as well as Mr. Wolfensohn and Mr. von Pierer, as representatives of major players in the global financial and business world.

Before I give the floor to our guest speakers, let me just make one short appeal. I ask members of the Council to limit their statements in the subsequent discussion to five minutes. Otherwise, we will not be able to conclude — let us say — by about 1 p.m. We would also like to allow our guest speakers the possibility, at the end of the interventions of Council members, to respond to questions and to comment in response to what has been said in the discussion. I would therefore very much appreciate it if members could limit the length of their statements. If members have longer statements, they can distribute them in writing.

I now welcome the presence of our Secretary-General, Mr. Kofi Annan. I give him the floor.

The Secretary-General: I would like to thank the German Government for taking the initiative on this very important issue. The economic dimensions of armed conflict are often overlooked, but they should never be underestimated. The role of business, in particular, can be crucial, for good and for ill.

Private companies operate in many conflict zones and conflict-prone countries. Their decisions — on investment and employment, on relations with local communities, on protection for the local environment, on their own security arrangements — can either help a country turn its back on conflict or exacerbate the tensions that fuelled conflict in the first place.

Private companies also manufacture and sell the main hardware of conflict — from tanks to small arms, anti-personnel mines and even machetes. And private enterprises and individuals are involved in the exploitation of, and trade in, lucrative local natural resources, such as oil, diamonds, narcotics, timber and coltan — a crucial ingredient in many high-tech electronics. Governments and rebel groups alike have financed and sustained military campaigns that way. In many situations, the chaos of conflict has enabled resources to be exploited illegally or with little regard for equity or the environment. When local populations are excluded from discussions on access to and control of natural resources and see little benefit from them in their communities, it can in turn be a cause of more conflict.

These are complex challenges. They touch on fundamental questions of sovereignty, democratic governance, corporate accountability and individual integrity. Moreover, many of the transactions involved occur in the shadows or within the context of failed States that do not have the capacity to regulate activities that are driven by profit but which fuel conflict. Enforcement and monitoring measures aimed at cracking down on such activities often lack teeth, if they exist at all. Supply chains are often so multilayered as to defy efforts at greater transparency. Even legal activities can have unfortunate and unintended consequences.

Business itself has an enormous stake in the search for solutions. After all, companies require a stable environment in order to conduct their operations and minimize their risks. Their reputations, not just with the public but with their own employees and shareholders, depend not only on what products or services are provided but on how they are provided. And their bottom lines can no longer be separated from some of the key goals of the United Nations: peace, development and equity. All these are compelling reasons why business should play an active role in tackling these issues, without waiting to be asked.

The Security Council, for its part, has already addressed many of them. The Council has imposed targeted sanctions. It has supported the Kimberley Process which, though a voluntary initiative, has reduced the trade in so-called conflict diamonds. The Council has set up expert panels to assess the role of political economy in triggering or prolonging conflict. It has authorized some peacekeeping missions to assist in the monitoring of economic sanctions and arms embargoes and to support efforts to re-establish national authority over natural resources.

This meeting occurs against a backdrop of several important initiatives. The Organization for Economic Cooperation and Development has adopted the Guidelines for Multinational Enterprises, with the hope

of ensuring corporate adherence to Security Council decisions and international conventions. An initiative led by the United Kingdom aims to increase transparency in the extractive industry. Some Members States have issued voluntary principles on security and human rights aimed at ensuring that, when security and protection are subcontracted to private companies, it is done in ways that protect against violations of human rights.

And my own Global Compact has sought to improve global corporate citizenship. One product of the dialogue on this subject is the Business Guide to Conflict Impact Assessment and Risk Management. Members of the Compact are also discussing adding a tenth principle on corruption to the existing nine principles on human rights, labour standards and the environment. And they are exploring what they can do to help implement the new United Nations Convention against Corruption. All of us — Governments, businesses, non-governmental organizations and intergovernmental organizations — need to learn to operate more openly, in the sunshine of transparency. That is essential if we are to break the cycle of corruption and build greater confidence in our various institutions and enterprises.

In the specific context of the United Nations, members probably know that I am establishing an independent inquiry into the allegations of fraud, corruption and mismanagement relating to the oil-for-food programme that we were running. Transparency is the only way to deal with such allegations and by far the best way to prevent corruption from happening in the first place. That, I believe, will be one of the main lessons we have to learn from this affair, whatever the outcome of the inquiry.

In any case, all of these efforts and initiatives have only begun to tackle the issue. The time has come to translate ad hoc efforts into a more systematic approach. At the United Nations, such an approach would promote greater cooperation and interaction between the security and development arms of the Organization. It would give us the tools with which to better understand and more actively influence the economic incentives and disincentives that drive the dynamics of armed conflict, and it would ensure that those factors are reflected in efforts to prevent conflict, in peace agreements and in the mandates given to peace operations.

With these aims in mind, I have established an inter-agency group, chaired by the Department of Political Affairs, which is looking carefully at the political economy of armed conflict and will provide recommendations on how to improve the response of the United Nations system and of Member States. I urge this Council, and Member States in general, to focus greater attention on this issue and to engage more dynamically with the private sector. The Secretariat will help in any way it can.

This is a subject on which passions run high, as we know. We need to find the proper balance between inducement and enforcement. There are times when outrage is the only proper reaction. There are times when appeals to the common good will fall on deaf ears, but with so much at stake, we cannot afford a situation in which the actors involved are polarized, demonizing each other and unable to engage in dialogue. We must create a space where all can come together and find solutions. I hope that this meeting will contribute to that goal.

The President: I now give the floor to Mr. James Wolfensohn, President of the World Bank.

Mr. Wolfensohn: Let me say how grateful I am to you, Sir, for this invitation, which is the second in history to a President of the World Bank to attend a meeting of the Security Council, the first having been extended four years ago when we came together to discuss the impact of AIDS as a security issue. Important as that issue was and is, let me say immediately that I am delighted that the Security Council should be addressing this question at a time when the words of the Iraq and Afghanistan conflict interventions and resolutions in terms of the political side are uppermost in the minds of people.

The reason that I am so pleased to be here is that we feel, in our institution, that the issue of conflict prevention, conflict resolution and rebuilding — which is the subject of the discussion today — can best be looked at from the point of view of the causes of conflict and the methodologies of peace, some of which the Secretary-General has referred to. Basically, we have a fairly intuitive and not very complicated notion that, if someone has a job and hope, he or she is much less likely to go out and shoot people. This is not a very complex concept, but I am happy to say that we have done studies to prove that rather obvious point,

and I can quote the studies done by our colleagues in the institution, which clearly state that

> "our research suggests that the lack of economic opportunity and resulting competition for scarce resources, more than ethnic, political and ideological issues, lie at the root of most conflicts over the last 30 years".

Just in terms of my own experience since I have been at the Bank — whether it be in Iraq, Afghanistan, the West Bank, Gaza, Yemen, East Timor, Kosovo or Bosnia and Herzegovina — I have found that, in all these places where there has been tension, and in many cases conflict, we have gone in, and the very first thing that one needs to look at after some peace has been restored and after one has addressed fundamental social issues of education, health and infrastructure is the question of how one establishes a framework in which business can commence.

Let me say here that we give a lot of attention to international investment. I am particularly proud that Mr. Von Pierer is here at this meeting because of the work that his company has done globally. However, four times the amount of international investment is done domestically and so, when one talks of business, one really needs to think in terms of creating an environment locally in which local investment can be encouraged so that small and medium-size enterprise and entrepreneurship can in fact flourish. A lot of this was addressed in the recent study that was done by Paul Martin and Ernesto Zedillo in response to a request from the Secretary-General.

So the proposition which we basically believe is that, in dealing with the first question of conflict prevention, the first thing one needs is to have a growing economy in which people share. Again, we did a study of 60,000 poor people in 60 countries and we came up, again, with an answer that one might have concluded intuitively. The answer was that poor people, like rich people, want to live in peace and to have their community. They do not want charity — they want an opportunity. They want for their women not to be beaten up and, for their children, they want hope.

In the world today, where 2.8 billion people out of 6 billion are under the age of 25 and where 1.5 billion are under the age of 15 — and in the next 25 years 2 billion more will be entering our planet in the developing world — the crucial challenge, as again has been identified by the Secretary-General, is how we are going to find opportunity for our youth to work. If they do not have work, they are frustrated. Their immediate instinct is not to go out and create a war, but they are subject to influences from the outside, from people who are malicious and who will either hide within their number or use them for unlawful and offensive purposes.

Thus, in our institution, we are devoting a tremendous amount of time to trying to see how we can meet the needs of those 60,000 people and people like them. It is a very simple need: How do you give them an opportunity to work in an equitable environment? Here, one addresses a number of the questions that the Secretary-General referred to in terms of the legal framework which one can establish, the protection of rights, the campaign against corruption and establishing an opportunity for people to live in a stable environment. This is what we are told they want by people in developing countries, and it is not surprising. In fact, the study was useful, but probably not necessary in terms of intuitive thinking.

But we have done the work and proven in every way that we can that giving people hope is the best way to avoid conflict. Giving them an investment in their lives and a chance to think of their children and to give their children opportunity is the best way to stop them going out and creating conflict. So when one talks in the Security Council of the issue of the prevention of conflict, central to that is the very simple notion of giving people work and an opportunity. For that reason, I think this subject is really important in this body, because we are spending $900 billion on defence annually and we are spending $50 billion a year, or a little more, on development. I rather feel that if we spent $900 billion on development and on getting people to have jobs and to go into business, we probably would not need more than $50 billion for defence. This Council could then become an economic and social council and it might be a lot more pleasant and a lot less dramatic to be able to deal with hope, rather than with crises. That is why, Sir, I think you have chosen a very important subject today.

In relation to conflict resolution and the building of peace, in all the cases I have mentioned there are examples where we, often in conjunction with the United Nations Development Programme (UNDP) and other agencies, have, as the primary function concerning establishing peace, to get business going

again within a legal and appropriate framework which protects human rights and is also environmentally sound.

All of that is absolutely coherent and consistent with the Millennium Development Goals established in 2000 — which we, the Secretary-General and others are seeking to pursue — setting forth objectives of what we need to do in order to have a peaceful and appropriate world. All of the heads of Government came together at the Millennium Summit and affirmed the need to deal with the question of poverty. They did not come to the Summit with goals relating to targets for military expenditure. They said: The targets are human. Let us get people to work, let us reduce poverty, let us bring about growth and let us give people an investment in hope and in their lives.

Not surprisingly, what we do, before and after conflict, is to try and establish conditions in which business — both international and local investment — can flourish. For that reason, Sir, your choice of subject today is admirable. The solution is not simple. One does not just open the door for investment. It must be done within the framework of a legal system, governmental capacity, building transparent financial systems and fighting corruption — issues which were all mentioned at the International Conference on Financing for Development in Monterrey, the Johannesburg World Summit on Sustainable Development and by the New Partnership for Africa's Development (NEPAD).

I salute you, Sir, for putting the subject on the Security Council agenda. We, at the Bank, are proud to be working with United Nations agencies in terms of this issue. It is a joy to consider the issues relating to conflict by looking at the question of the causes of conflict. The main cause of conflict is lack of hope, and hope can be created by establishing businesses and by creating jobs.

The President: I thank Mr. Wolfensohn for the kind words he addressed to me. I now give the floor to the President and Chief Executive Officer of Siemens, Mr. Heinrich von Pierer.

Mr. von Pierer: It is a great and distinguished honour to be here today and to have the privilege of addressing you. Thank you for giving me this opportunity and the memorable experience of joining you here in this legendary Chamber, which I have known so far only as a curious visitor.

I have been asked to say a few words about the role of business in conflict prevention, peacekeeping and post-conflict peace-building. This is a challenge we at Siemens know well. In 157 years of doing business around the globe we have gained extensive experience working in different kinds of crisis situations.

Today I want to address three themes. First, I will make some concrete remarks about two conflict areas that are the focus of public attention right now — Afghanistan and Iraq. Secondly, what are the most urgent needs for the process of rebuilding after a conflict? Thirdly, what can be done over the long term to secure stability and to avoid conflicts or at least reduce their intensity?

First, concerning Afghanistan, less than two weeks ago I met with President Karzai while he was in Berlin for the International Afghanistan Conference. Our talks concentrated on his country's reconstruction. At his request, we jointly visited one of our Berlin factories, the same factory that King Amanullah of Afghanistan visited on his tour of Germany back in 1928. This shows that we have generations of experience in Afghanistan, as we do in most other countries around the world.

Our presence in Afghanistan was interrupted by war. But when it ended, we took some very specific steps to restart our activities and to help rebuild the country. First of all, we wanted to reopen our office as quickly as possible. We looked for a highly qualified national to relaunch our business and found the right man in our own company. He is fluent in Pashto, Farsi, German and English and was eager to contribute to his country's rebirth. We acted fast and reopened our office in Kabul in February 2003.

Secondly, parallel to setting up our operations, we critically analysed the most pressing infrastructure needs in the country. From our point of view, the top priorities were to restore power supplies, repair the water system in Kabul and reconstruct the communications network.

Thirdly, we were already on site when we received the first orders in these sectors. One project, for example, was to rehabilitate two hydropower plants that we had built over 50 years ago. We simply pulled original construction plans out of the archives and began work immediately. Another project was getting Kabul's water system back in working order. By the

way, we trained a large number of Afghans for this special work at our facilities in Pakistan and India and trained only a few people in Germany.

A fourth consideration was the social side, which is always important for successful engagement. We are helping to educate people. We are supporting UNICEF's "Back to School" initiative as an important investment in the country's future, with an emphasis on girls, to ensure that they also participate in basic education. I know that those efforts are just the beginning, but they are visible. That is important and that counts.

Concerning Iraq, we would like to pursue the same basic strategy and to help restore, for example, the country's power generation capacity, its power grid and its communication networks. We would also like to open local facilities, but, as we all know, the situation is extremely difficult right now. Despite the security risks, however, we have already started to help in concrete projects — one is to set up mobile telephone networks in northern Iraq and the other is to rebuild a power plant. We all share the hope that the reconstruction of Iraq can be accelerated as soon as possible.

All countries and all situations are, of course, unique, and there is no golden solution for all post-conflict scenarios. One must analyse each situation and tailor the response. In general, I would say there are five basic factors that are critically important: security, infrastructure, financing, post-conflict planning, and visible progress.

The first and foremost factor, security, is obvious. That has been a chronic problem in many regions, but since 11 September we also know that violence can strike anywhere, at any time. There are no more safe havens in the world, and we have to live with that fact. But now it is clear that in order for business to operate there must be a reasonable level of security and enough government control to provide basic law and basic order. The risk factors must be reduced to a manageable level — not to zero, perhaps, but to a manageable level.

In critical regions, business follows some basic rules — for example, a strong reliance on local employees who best know their country, their culture and the local circumstances. Also important are a few expatriates to push the process. Our principle in such cases is to send employees only on a voluntary basis. These people are carefully chosen, after considering all religious, ethnic and cultural factors, and they do not necessarily come from Germany. Close cooperation with local authorities is a must for taking all proper measures. Above all, one needs good common sense, caution, prudence and, also, courage. But unfortunately, these rules may not always be enough. If the risks are too high, we sometimes have to pull back — only as long as necessary, I must add — because our basic philosophy is: "We are here to stay".

To summarize my first message: local government or provisional authorities must provide the necessary minimum of security, and business should draw on the experience of people who best know the country.

The second factor is infrastructure. Nothing can function without water, electricity, food, food supplies, transportation and communication systems, particularly in cities. One of the top priorities must therefore be to reconstruct and to secure these services in order to restore functional authorities, to meet the basic needs of the population and to provide the foundation for rebuilding the economy and the society. So my second message is to begin as soon as possible with the process of repairing and renewing the basic infrastructure.

The third factor is financing. The success of any reconstruction programme depends on getting funds. The private sector must have partners — international organizations such as the World Bank, bilateral partners, development agencies, Governments and local authorities. Business cannot bear the financial burden, nor it can bear it only to a limited extent. As we all know, the process of securing financing can be complex and time-consuming, and sometimes frustrating as well. But in post-conflict situations, speedy financing is critical for restoring a viable society. Therefore, my third message is that financing instruments, including guarantees and public/private partnerships, must be made available as quickly as possible. Nothing is more dangerous to the peace-building process than a lack of action.

The fourth factor is post-conflict planning, above all, timely planning. If at all possible, post-conflict plans need to be developed at the same time as military or conflict-resolution strategies. There must be a seamless and fast transition.

We have to be realistic. This means we cannot always expect all procedures to run in the standard forms that we know and are familiar with. For example, there is the bidding process. Extraordinary situations often demand extraordinary solutions, as well as fast and uncomplicated decisions. One must accept that this is sometimes more effective than following the usual game rules, because time is of the essence. So my fourth message is to plan as much as possible in advance but do not waste critical time in unique situations by relying on overly complex, overly bureaucratic and time-consuming solutions.

None of the four factors I have mentioned are effective without the fifth, that is, visible progress. People must personally see that progress is being made, that their own lives are improving, that they can begin to support their families again, not with extralegal activities but as part of a new civil order. That is essential for regaining trust and long-term social stability. My fifth message, therefore, is that we have to give people a future, a future that must be quickly tangible.

This leads me to my last point today: what can be done over the long term to secure stability? One central source of conflict is hopelessness, or the feeling or being excluded from growing prosperity and from the benefits of globalization, and of being overwhelmed by a process that one cannot influence. Those fears, those desperate outlooks, lead to desolation and anarchy. People who have nothing to lose become unpredictable and capable of any deed. We have to counteract those trends by giving people hope and a way out of their situation — not only for a brief moment, but on a sustainable basis. I would like to give you three examples of what can and should be done.

The first example is education. We must build schools, educate children and provide vocational training for youth. If we educate the children, we open the future to them — a future in growing prosperity and a future without violence and aggression. As the President of the World Bank said, people want hope for their children. That is expressed in the Asian proverb, "One generation is planting the trees. The next generation is enjoying the shade." Education for prosperity and peace could be a broad programme for a public/private partnership.

The next example is health care. Basic public health services are a must, even in countries with isolated communities. There are solutions like telemedicine to provide better health consultations. It is a tangible and effective way to bring part of the first world to the third.

The third example is the transfer of knowledge and technology. This is a key step to integrate local economies with the world and to train people to help themselves. This could be accomplished in coordination with the local investment of global players; this is the way to build up networks of local business partners and suppliers and to create jobs. We took such an approach years ago under the guidance of Shimon Peres. We set up a joint venture software company for Palestinian and Israeli developers in Ramallah, in the West Bank. It was so important to me that I personally took part in the inauguration ceremony in Ramallah. It was a moving moment, as you can imagine. It worked well and gave many people a future. It was growing fast until the project was tragically interrupted by the renewal of hostilities. But this idea and many, many more like it can work. I am convinced of it.

These examples show that development aid and programmes must do and can do, much more than fight poverty. They must also focus on solutions for ensuring long-term benefits and stability, and they can be provided by public/private partnerships. Again, most important in my mind is education, education, education.

Business alone cannot change the world but, together with public partners, business can make decisive contributions in the struggle against violence, against anarchy and against terrorism, and on behalf of civilization, freedom and prosperity. I totally agree with the Secretary-General when he said some minutes ago that bottom lines cannot be separated from some of the key goals of humankind: peace, development and equity. We have certain projects under way and we are ready to do much more.

The President: I now call on Ms. Marjatta Rasi, President of the Economic and Social Council.

Ms. Rasi: I have the honour to speak at this meeting today in my capacity as President of the Economic and Social Council and to talk about the role of business in conflict prevention, peacekeeping and post-conflict peace-building. I also wish to thank you for inviting me to participate in this important meeting.

Let me start by referring to the recent report of the United Nations Commission on the Private Sector and Development entitled "Unleasing entrepreneurship: making business work for the poor". The report recognizes the importance of the private sector in many spheres of economic and social life, including in the alleviation of poverty. Overall, the report emphasizes the private sector's contribution to sustained economic growth.

It is my strong conviction that sustained economic growth is one of the keys to conflict prevention. In this regard, there must be constant efforts to better mobilize the whole United Nations system. The General Assembly, the Security Council, the Economic and Social Council and other bodies must all have a role in conflict prevention. Institutional gaps should be filled, and the division of labour among United Nations bodies should allow for complementary considerations of countries in turmoil within the respective areas of competency of each body.

We also need more thorough analysis of the various causes of conflicts, whether political, economic, social or cultural. Sources of conflicts and violence are manifold, but economic elements are often decisive. Overcoming economic vulnerability and insecurity is central to helping prevent violent conflict. Moreover, environmental degradation may also contribute to social eruption and conflict.

The causes and prevention of poverty overlap substantially with the causes and prevention of open violence and complex humanitarian emergencies. We may distinguish between short-term and long-term prevention. Long-term efforts include undertaking structural and institutional change, building capacity and spurring economic and political development. Short-term measures are often political and military, but also developmental and humanitarian to ameliorate potential conflict.

Today, it is widely accepted that the private sector has a primary responsibility in building economic and social well-being. There is also an emerging understanding about the need to bring business, as one of the actors, to the table where we discuss conflict prevention, post-conflict peace-building and recovery in fragile, conflict-prone societies. We need partnerships and multi-stakeholder approaches among Governments, civil society institutions and corporations. It is worth noting that in 2001 development ministers of the Organization for Economic Cooperation and Development encouraged trends towards partnership with business — domestic and international — to raise awareness of how firms can be good corporate citizens, avoid feeding the negative dynamics of conflict and make positive economic and social contributions to preventing violence.

In the spirit of corporate citizenship and civic-mindedness, the private sector itself must assume responsibility, including in uncertain conditions, to help prevent and mitigate conflict. The actions of private companies during conflicts, and the corporate ethics behind those actions, and sensitivity to human rights are important in this regard.

Today conflict is too often caused by the struggle to exploit natural resources. The private sector contributes towards instability and conflict if it provides a source of financing to armed groups in exchange for natural wealth — diamonds, gold and timber. In this regard, Security Council resolution 1306 (2000), banning the import of uncertified rough diamonds from Sierra Leone, was a major step in recognizing the role of the private sector in conflicts. It should also be noted that some industries have engaged in self-regulation, with varying degrees of success.

Peace-building requires a huge economic investment and the involvement of investors. The key challenge is to rebuild economies in such a way that the benefits of recovery are spread as widely as possible across society. Such an enabling environment of broad-based recovery requires considerable institution-building. Encouraging the private sector to stimulate local development, job creation and basic social infrastructure can contribute to long-term social stability and improved local livelihoods.

However, private business cannot be forced to invest in post-conflict areas. An environment should be created to attract private business into the area and to contribute to stabilizing social situations. The private sector can have a particularly positive role in providing jobs during and after the disarmament, demobilization and reintegration process. Private companies can also support social development programmes concerned with wider development and conflict prevention issues. The key constituencies to be engaged in the peace-building process are the local businesses, as they have a true vested interest in peace and stability.

More concrete work is required in looking into the political economy of violent conflicts and identifying conflict-sensitive investments. We must promote transparency of natural resource revenues and the extractive industries, assist in strengthening the rule of law and effective enforcement, target corruption, promote economic diversification, encourage the development of local business and reduce exposure to price shocks.

Resuming normal economic activity is severely impeded without a central bank or a revival of commercial banks and insurance companies. The provision of bank finance for working capital, fixed investment and residential reconstruction must also restart. Prior to the start of major violence, financial systems are often insolvent. The involvement of all economic actors is vital, while basic functions need to be put in place.

In recent years the Economic and Social Council has taken a more active role in developing a capacity to respond to the countries emerging from conflict and thus to help prevent human conditions from worsening. The Council continues to address the roots of conflict throughout its work. At its substantive session this year the Council will concentrate on the least developed countries. In the preparations, we have also focused on those countries that are emerging from conflict. In the light of their experiences, the private sector is essential as a development partner, with the support of the international community in backing recovery efforts when necessary.

I am happy to note that the Economic and Social Council and the Security Council have begun to collaborate in these endeavours. But much more can be done by the General Assembly, the Security Council and the Economic and Social Council working together to develop a comprehensive and a more rapid-response capacity for countries in special situations, where speed, scale and time are of the essence. We must also develop together a sufficiently long-term perspective towards both sustainable development and conflict prevention.

We are confident that the setting up of the High-level Panel on Threats, Challenges and Change will help the Organization undertake reform measures that will make it more agile and more flexible in responding to the challenges of the twenty-first century. We in the Economic and Social Council stand ready to play our part in contributing to strengthening the United Nations in this strategic area.

The President: I now give the floor to Ambassador Kumalo, Chairman of the Economic and Social Council Ad Hoc Advisory Group for African Countries emerging from conflict.

Mr. Kumalo (South Africa): Allow me to congratulate you, Mr. President, on your election to lead the Council this month. Thank you for the opportunity to address the Council on the role of business in conflict prevention, peacekeeping and post-conflict peace-building.

The debate on the role of business in conflict prevention, peacekeeping and post-conflict peace-building is long overdue. As members are aware, my own country, South Africa, is celebrating 10 years of freedom this month. Among the many significant contributions made to our freedom struggle was the role that businesses, both local and international, played in practising corporate and social responsibility in South Africa. Some businesses began by hiring black and white people to work together, performing the same functions, thereby acting as bridge-builders across the racial, social, ethnic, political, economic and regional divides in our country. Other businesses provided resources to community organizations, which helped to create social conditions in which people could live and work together as neighbours. By the time the political negotiating process led to a political solution, the people of South Africa had learned about the possibility of living together in peace, and by then some of the businesses were ready to engage in a reconstruction and development programme aimed at creating a democratic society.

It has now become generally accepted that there is an inescapable linkage between peace and development, particularly economic development. Without peace, there can be no sustainable development, which is an important antidote against conflict. There is further agreement that the role of the private sector is very critical to economic development.

However, in a conflict situation, or even in a post-conflict reconstruction phase, the private sector is reduced to a minor role. The international community and donors have the main responsibility to prevent conflict and ensure peace-building. Only once there is peace can the private sector come in and make its contribution towards creating growth and prosperity.

The challenge has always consisted in trying to define a role for the private sector in those processes. This is complicated by the fact that the private sector is not limited only to the vast majority of businesses that play a positive role in contributing to peace and development. The businesses that trade in conflict diamonds in Sierra Leone and the Democratic Republic of the Congo are a part, albeit a negative part, of the private sector as well. The individuals who participate in the informal sector, selling light goods and fruits, are part of the private sector even though they do not contribute to the tax base of that particular country. However, for the purposes of this debate, we are limiting ourselves to what may be called "the regular businesses", those that make a difference in the lives of countries emerging from conflict.

It is thus clear that the private sector cannot, on its own, substitute for the international community and the development partners in addressing the issues of conflict prevention, peacekeeping and post-conflict reconstruction. However, business has a decisive role to play, if that role is well articulated and understood.

Allow me to share some of the experiences we gathered in Guinea-Bissau and Burundi, as members of the Economic and Social Council Ad Hoc Advisory Committee for African Countries emerging from conflict.

In both countries, the eruption of conflict drove the international private sector away. The local businesses, however, did not have the option of leaving their own countries and were forced to find ways of continuing to operate under difficult conditions. The local business owners faced a collapsing economic infrastructure, limited — if any — access to credit, deteriorating transport systems, communication deficiencies, evaporating energy supplies and other disruptions to production that result from conflict. Eventually, many of these businesses were forced to close, while others barely survived.

Meanwhile, the rising conflict did not prevent Governments from demanding contracts for the supply of products and services from local businesses, even during the conflict. Those Governments were in no position to meet their commitments under the contracts they signed, and that resulted in the build-up of substantial arrears carried by the local private sector. As those countries begin to emerge from conflict, it has become one of the high priorities for the incoming Governments to receive assistance in settling debts to the local businesses. The international community has to find a way to assist the new Governments in fulfilling these obligations in order to avert widespread bankruptcies with the resultant job losses and shrinking business bases in these countries emerging from conflict.

Settling the outstanding government debts to local businesses also provides a much-expected injection of money back into the economy. It allows the local private sector to gain access to desperately needed capital, which enables it to expand and take advantage of the new opportunities offered by the return to peace and stability. Often it is the local businesses that offer employment opportunities to demobilized fighters who are forced to disarm as part of the reconstruction and post-conflict resolution. Successful disarmament, demobilization, reintegration and resettlement or repatriation need a substantial and sustained local economy to absorb the demobilized fighters.

Furthermore, a healthy local private sector is an attraction and prerequisite for the involvement of the international private sector in a country emerging from conflict. To put it more bluntly, foreign businesses are reluctant to move into countries where local business is not investing its own money in its own country. The partnership between local and international business is a critical confidence-building step for a country emerging from conflict. It contributes to the success in post-conflict reconstruction and development by becoming an engine of economic growth.

The international community is the most important player in creating the political environment in which the private sector can do business. As business is driven by the profit margin, it needs peace and stability in which to operate. That can be best achieved by a concerted effort by the international community through a clear commitment to peacekeeping and the deployment of peacekeepers in situations of conflict.

Bilateral and multilateral incentives such as investment guaranties and lending policies could play a role in spurring economic activity. However, those actions and instruments have to correspond to the challenges of the specific situation. In the case of Guinea-Bissau and Burundi, the clear priority, as stated by representatives of the private sectors we met in both

those countries, is for the international community to provide budget support to the two Governments so that the State institutions can pay their arrears to the private companies contracted by them during the times of conflict.

The President: I will now give the floor to the members of the Council.

Mr. Benmehidi (Algeria) (*spoke in French*): I would like, first of all, to thank the delegation of Germany for having proposed this subject for discussion. Its importance for the work of the Security Council is absolutely clear. I would also like to welcome the President of the World Bank and the President of Siemens and thank them for their statements.

The Security Council's consideration of the role of business in conflict-prevention, peacekeeping and peace-building, on the day immediately following the General Assembly's consideration of the final report of the Kimberley Process Certification Scheme, illustrates the importance that our Organization and its major bodies attach to this question.

The Kimberley Process is a significant contribution to the maintenance of international peace and security and represents a remarkable moral step forward that we should welcome. Its essential elements are the self-regulation to which the diamond industry has committed itself and the spirit of partnership with which that industry has welcomed the initiative of the producer countries to combat the illicit trade in diamonds — blood diamonds. The role of those diamonds in fuelling several conflicts has been amply demonstrated. My delegation wishes to hail the embodiment, in the Kimberley Process, of the spirit of the Global Compact that the Secretary-General has proposed to the business community.

It is today widely recognized that in conflict zones the practices of international corporations or smaller corporations have often had a considerable impact on respect for human rights and breaches of the peace because of the corporations' links to Governments or to social groups who oppose them. This subject, however, has already been discussed. Here, I would like to focus more on the present role of business in peace-building in post-conflict situations. In such situations, the root causes for the outbreak of conflict generally remain and require economic and social treatment as soon as possible, if a lasting peace is to be established.

Observation of countries emerging from conflict reveals that at the end of the emergency reconstruction phase — which is generally limited to the most urgent humanitarian needs and assistance in establishing institutions and legislative bodies indispensable for legal security and a climate favourable to investment — the international community is faced with a lack of any significant investment, which is the only thing that can lead to sustained and lasting growth, which is still the best guarantee of lasting peace.

In brief, should companies remain on the sidelines of economic rehabilitation efforts led by the Governments concerned, with the assistance of the United Nations and the multilateral financial institutions, to create the conditions and rehabilitate the infrastructure? Or should they participate in those efforts, in accordance with the principle of social responsibility to which they increasingly adhere?

Post-conflict developments in a good number of situations on the Council's agenda, particularly in Africa, clearly plead for the earlier involvement of private companies. Indeed, the risks of a wait-and-see attitude were particularly highlighted by the work of the Economic and Social Council Ad Hoc Advisory Group for African Countries emerging from conflict, which recently submitted its report on Guinea-Bissau and which could be confronted with similar obstacles later, in the case of Burundi.

My delegation is of the view that the issue of the link between peace and development as a factor for overcoming the risks of armed conflict was appropriately addressed by Africa's own initiative, the New Partnership for Africa's Development (NEPAD). The NEPAD approach, founded on the idea of partnership, gives greatest importance to creating the conditions for investment and business, which are the motors of development, by stressing the notions of good political and economic governance — including the management of business — the obligation of accountability, the fight against corruption and respect for human rights.

The favourable response to NEPAD by the United Nations and the international financial community, through the forum of the Group of Eight's Kananaskis and Evian Summits, has now made it a cornerstone for

that approach, which should guide the private sector's contribution to the international community's peace-building efforts.

We believe that the success of that approach depends on the accompanying implementation of respect for commitments undertaken by the Governments of countries emerging from conflicts — which can often be verified — on the provision of the necessary levels of official development assistance and on the contribution of private sector investments. In that regard, the contributions of multinational companies are particularly anticipated, as they reduce country risk through bold initiatives that give concrete expression to the ideal of social responsibility.

Mr. Zhang Yishan (China) (*spoke in Chinese*): At the outset, I wish to thank you, Sir, for taking the initiative of convening this open meeting and to welcome the participation and statement of the Secretary-General, Mr. Kofi Annan. I also welcome the presence of Mr. Wolfensohn, President of the World Bank, and Mr. von Pierer, President and Chief Executive Officer of Siemens, as well as the President of the Economic and Social Council and the Chairman of the Ad Hoc Advisory Group for African Countries emerging from conflict.

With the steady development of economic globalization, the operations of many businesses have extended to all corners of the world. In some cases, contact with those businesses has a certain influence on the development of a situation in the conflict region. Therefore, how to push for and promote a positive role for business in the peace process in conflict-afflicted countries and regions is a question that merits our serious consideration. In that respect, I would like to make the following comments and observations.

First, businesses should scrupulously abide by the relevant Security Council and General Assembly resolutions and other codes of conduct. For some businesses active in conflict-ridden countries in Africa, profit is their only goal, and they engage in illegal trade in products such as diamonds and timber, in disregard of the provisions of the relevant Council resolutions. That kind of illegal trade often abets armed conflict in the region and undermines the peace process concerned. Those activities must be stopped.

In that respect, we welcome and appreciate the beneficial contribution the Kimberley Process has made to severing the link between the illegal trade of diamonds and armed conflicts. It is undoubtedly extremely important for the prevention of the escalation of conflicts that businesses enhance their sense of moral responsibility, strengthen their self-regulation in the conduct of their business and comply strictly with the relevant Council resolutions.

Secondly, business should actively participate in the disarmament, demobilization and reintegration process and post-conflict peace-building. In the wake of conflict, the affected countries and regions lie in ruins. The active participation of business in local economic reconstruction can lead to a company's own growth and help the country in question rehabilitate its economy after conflict, thus providing jobs for the people and enabling more ex-combatants to reintegrate into society. That would favourably complement the efforts of the international community and the Governments concerned to achieve stability and consolidate peace.

Thirdly, business can make an active contribution to the prevention of conflicts. If we look at today's world, we can see that most conflicts take place in developing countries. Although the causes of conflicts are various, they are to a great extent all closely linked to economic underdevelopment. Business should actively carry out operations in underdeveloped countries and regions, providing financing and transferring technology, in order to help the local people eradicate poverty, improve their economy and achieve sustainable development, thus preventing the outbreak of conflicts.

Prevention and resolution of conflicts require the joint efforts of the international community. The United Nations, regional organizations and Governments undoubtedly bear the major responsibility in that respect. At the same time, however, business can also play a role. We should encourage business, especially multinational corporations, to make use of their advantage, in accordance with the United Nations Charter and Security Council resolutions, to work actively and to play a constructive role in preventing conflict and promoting the settlement of conflicts. We are in favour of the General Assembly and the Economic and Social Council further exploring this issue.

Mr. Motoc (Romania): Germany's initiative of organizing this public meeting of the Council is highly commendable and timely. We are indeed witnessing a

growing awareness that economic security is key to stability and security in countries marked by conflicts and key to ensuring sustainable peace and economic development.

Concrete evidence shows that the business sector's role is closely connected to the responsibility entrusted to the Security Council by the Charter. Resolution 1366 (2001) highlights the mutually supportive relation between conflict prevention and sustainable development. It acknowledges the priority attention that should be devoted to poverty and the lack of development, which are important root causes of conflict. And we all concur that economic development depends to a great extent on the viability of a country's private sector and the involvement of international private sector actors.

This meeting is extremely important in helping members of the Security Council to deepen their understanding of the particular role business and the private sector actually play, or could be expected to perform, in the different stages of conflicts: prevention, resolution, post-conflict stabilization and reconstruction.

In that regard, my delegation would like to welcome the participation and opening statement of the Secretary-General in this debate. We also welcome the presence among us of the President of the World Bank, the President of the Economic and Social Council, the Chairman of the Ad Hoc Advisory Group for African Countries emerging from conflict and the President and Chief Executive Officer of Siemens. Their input was assuredly enriching.

Until recently, the role of economic factors in intra-State conflict was largely overlooked. Explanations of conflict emphasizing enmity, religious fundamentalism or manipulative politicians amply prevailed. Many of the situations tackled by the Security Council have, however, revealed that obscuring the role of economic agendas in both causing conflict and hindering peace-building is counterproductive.

In some cases, conflict-prone economic agendas have accordingly been addressed in the Security Council's decision-making. Sanctions regimes and the activity of independent panels of experts have addressed some of the root causes of conflicts nurtured by economic motivations. The Kimberley Process of diamond certification is a recent case in point.

The time has come to build on the experience accumulated in managing the economic factor as a source of conflict. The Secretariat could thus put together a report highlighting the significance of the broader regional and global dimensions of the political economy of contemporary intra-State conflict. A major part of that report could dwell on the political economy of post-conflict transformation. It is in that stage of conflict that business sector involvement could take on a really strong positive connotation.

Indeed, business and the private sector add an economic dimension to the political aspects of post-conflict reconstruction and development. Many measures should be taken and questions need to be answered. Our German colleagues raised a number of them in the non-paper distributed in preparation for this meeting. I will briefly try to present our delegation's input.

Globalization drives the investment of multinational companies all over the world. Recipient countries may or may not be affected by conflicts at the time when the investment decision is taken, but companies investing in a developing country will always look at their financial performance from the long-term perspective, at their own image as a good corporate citizen and at promoting economic development in the respective country. Romania's own recent experience shows that sustainable investment and trade are essential factors for a successful transition to the rule of law and a functional market economy.

First, I would point out the fact that it goes without saying that business needs a stable environment, politically and legislatively. To give an example, in today's Africa, there is growing recognition that areas once seen as State preserves need partnership with the private sector if they are to attract the capital and skilled management they need for economic growth and development. However, sub-Saharan Africa attracts today less than 10 per cent of total foreign direct investment in the developing world. The challenge ahead is creating an enabling business climate to provide facilities that would draw in investors.

Secondly, foreign companies should themselves generate stability through all their activities. The private sector is called on to engage as a reliable and substantial partner in the development process of the

respective countries. Corporate social responsibility is now endorsed by many international declarations and conventions that focus on the role business can play in countries affected by conflicts.

Thirdly, help is also needed for the local private sector, which may either have been eroded or distorted following its involvement in the war economy, or completely shattered by it.

Fourthly, business, be it local or foreign, is called on to join other components of society in upholding respect for human rights within its own sphere of activity, thus making a direct contribution to preventing and overcoming conflicts. It is essential that business practices do not participate in human rights abuses and refrain from any improper involvement in local political activities.

Fifthly, the United Nations system should show understanding and provide adequate support for the responsibility the foreign business is asked to shoulder when it enters or re-enters a country or a market in the phase of peace-building and post-conflict reconstruction. Due consideration should be given to generating the right combination of incentives and regulations at the national and international levels so as to promote good corporate governance. Conventional diplomatic and military interventions aimed at preventing and resolving conflict need to be complemented by more systematic regulation of global trade and commerce, as well as by the provision of more effective mechanisms to ensure the responsible management of resource wealth and sustainable development in vulnerable States.

Regionally-based approaches to peacemaking and post-conflict reconstruction, starting with the Security Council, should integrate business as a basic component. Many contemporary intra-State conflicts have strong regional economic linkages. Often, the most entrenched conflict economies are those that are embedded in regional conflict formations, such as those in West Africa and the Great Lakes region.

A recent project of the International Peace Academy on the war economy in a regional context notes that not only has the political economy of regional conflict complexes been neglected by peace-builders, but this neglect has left many war-torn States vulnerable to continued instability and poverty.

Finally, the conclusions of today's debate should be followed up in a broader perspective — that of a systematic coordination between a variety of public and private sector actors and agencies, including the Security Council. Effective cooperation and interaction among key stakeholders is the way to ensure the successful implementation of any economic or political strategy in any country, based on a strong sense of ownership. The Romanian delegation stands ready to work closely with the German and other delegations in ensuring an appropriate follow-up to today's debate.

Mr. Muñoz (Chile) (*spoke in Spanish*): At the outset, may I thank Germany for taking the initiative to convene this open debate, with the participation of distinguished guests, on the role of the private sector — understood to mean not only corporations, but also civil society and non-governmental organizations — in conflict prevention, peacekeeping and post-conflict reconstruction. I believe that it will allow us to reflect on a subject that, historically, has had an impact, for better or for worse, on the internal processes of countries.

All are well aware of the commercial motives that impelled the Powers of the seventeenth, eighteenth and nineteenth centuries to dominate vast, distant regions of the world and to impose regimes intended basically to benefit the colonial centres instead of the local populations. In the past, many companies operated in conjunction with their Governments, imposing production models geared towards the foreign market, separating and dividing populations and offering benefits to ethnic minorities. All of this produced a complex legacy, the effects of which are still being felt today.

With the passage of time, the situation evolved from colonial domination to the predominance of big corporations. Over the past 50 years, many companies operating in developing countries have been the principal actors in the destabilization of local governments and a source of financing and support for certain sectors in civil conflicts, with the backing of their respective Governments. That is why I, for instance, as a Chilean, have never used the services of a company called ITT. The specific interests of a famous corporation became identified with the foreign policy of its home country, a situation that obviously changed with the dawn of the era of global production.

Examples of the type of conflicts generated by certain companies have been mentioned in other statements, including the question of diamonds in West Africa, which led to the Kimberley Process, and the illegal exploitation of natural resources in the Congo. In both situations, such exploitation financed combatant rebel groups. In addition, the private sector involved in the trade and traffic of small arms and light weapons bears considerable responsibility in conflicts. There is a need to develop codes of conduct and monitoring standards applicable to the activities of such companies, in order to avoid the indiscriminate and even illicit proliferation of small arms and light weapons.

To be sure, businesses are neither philanthropic nor peacekeeping organizations. They are driving forces for prosperity. How can we reconcile the legitimate profit-making objectives of the business sector and the humanitarian and human rights objectives of civil society and many non-governmental organizations with the tasks of conflict prevention, peacekeeping and post-conflict reconstruction?

The steady growth of the global market economy, with its processes of privatization and liberalization, has resulted in a massive transfer of resources to the private sector and a large increase in investment in emerging markets — often, however, characterized by major structural weaknesses in the areas of regulation and governance with high levels of poverty, serious human rights violations and significant levels of corruption.

Furthermore, the nature of contemporary conflicts, increasingly of an intra-State character, has changed the approach to conflict prevention and solution. Their complexity requires multidisciplinary approaches in which there must also be considerable room for business, and especially for the largest transnationals. Various mechanisms have been created for that purpose. For example, the Organisation for Economic Cooperation and Development (OECD) has adopted the Guidelines for Multinational Enterprises. The Secretary-General recalled today that he proposed the Global Compact under which corporations are to apply International Labour Organization, human rights and environmental principles in their activities, particularly in developing countries.

How can the private sector, broadly defined, act in the context of conflict prevention, peacekeeping and reconstruction? Let me outline a few ideas. In the field of prevention, there can be no doubt that the private sector, because it is present on the ground and is familiar with the environment, can serve as a source of early warning, seeing the signs of impending conflict. It can then cooperate through the development of conflict prevention or mitigation strategies.

Companies need stability; they need clear rules to follow. Ultimately, conflict harms corporate strategic interests. This means that partnership can exist between business and the work of the United Nations. There is a more specific aspect of prevention that can fall to the corporate sector if it allocates resources to social investment, strengthening local civil society and investing in communities and activities that promote tolerance, diversity and civic education. Many visionary and progressive companies are already working in that direction, but, in my view, much more needs to be done.

In the field of reconstruction, there are many measures that multinational corporations could take together with their local partners in order to rally broad economic sectors and complement United Nations reconstruction efforts.

Companies can also offer financial support for projects that have immediate impact on production, for example through initiatives to give jobs to ex-combatants. Often, it is precisely the lack of jobs for ex-combatants that makes conflicts recur.

From the standpoint of governance, the private sector can play an important role in reconstruction through the critical capacity of governmental decisions, to ensure that these are more realistic and effective on the ground and that they provide broad benefits to society. Indeed, there is also the possibility of exploring the idea of matching funds: co-financing a reconstruction project in an amount equal to the contribution of a donor Government, for instance in areas such as disarmament, demobilization and reintegration.

In the case of the corporate sector, it would undoubtedly be appropriate to develop a range of incentives to encourage companies to remain in a country when conflict approaches, or to adopt relevant preventive and reconstruction measures, or to be involved in a country during the reconstruction stage. How many companies could be prepared, for example, to provide jobs, prosperity and hope in Haiti, and at the

same time to make money in a country that needs this assistance: a country near major markets, and where, through training, a high-quality labour force can be developed.

Lastly, given the complex interrelationship between the private sector and conflict, it could be of interest for the Secretary-General to prepare a report on this subject and perhaps to make recommendations on prevention and post-conflict reconstruction that could be taken up both by the Security Council and by the Economic and Social Council for implementation in future peace operations. That would, I believe, be worthwhile.

Mr. De La Sablière (France) (*spoke in French*): It is with a great deal of interest and pleasure, Sir, that we are participating in the debate that brings us together here today, at your initiative. We thank the Secretary-General for his statement and also thank the President of the World Bank and the President and Chief Executive Officer of Siemens, as well as our colleagues, the President of the Economic and Social Council and the Chairman of the Ad Hoc Advisory Group for African Countries emerging from conflict, for their statements, which have enhanced our discussion.

It is a good idea for the international community, through discussions such as this one, to analyse in depth the kind of guidelines it has engaged in for the role of business in crises and conflict. We have already, as I have mentioned, a doctrine, a body of regulations and principles contained in declarations, resolutions and actions undertaken by international institutions. I am thinking of what has been done in the case of the Organization for Security and Cooperation in Europe, by the International Labour Organization and the Group of Eight industrialized democracies, what has been done in the context of the European Union's Green Book, what the World Bank is doing — these activities are all most laudable. I am also thinking of the Global Compact that the Secretary-General initiated in 1999 and which he referred to this morning.

As for the Security Council, it too has taken into account in several aspects, the role of private business in the outbreak of conflicts as well as in conflict management. This is quite natural because there is a political economy of conflicts that makes up — even if it is rarely explicit — the underpinning for many of the decisions we take.

I refer, concerning the action undertaken by the Security Council, to everything that was done by the panels of experts which have made a great contribution to highlighting the illegal exploitation of natural resources as a critical factor in certain conflicts. I am also thinking of various sanctions regimes, targeted sanctions and embargoes, in particular the arms embargoes established by our Council. Very often they are designed to deprive those who would make profits from conflict of the fruit of their evil work. Finally, I am thinking of the fruitful cooperation that has been established to clean up the diamond trade through the Kimberley Process.

It seems to me, however, that all of these measures — and this is why I am gratified by this debate — are scattered and that, for the most part, they respond on a case-by-case basis. Therefore, we must ask ourselves whether we need to go farther and how do we go farther.

To the question of whether we need to take further steps my delegation answers in the affirmative because, as has been widely emphasized during this debate, there is crucial interaction between economic factors and crisis situations. We can try to go farther, as was stated this morning, with regard to conflict prevention, conflict management and post-conflict situations. I believe — and this was also stated this morning — that it is also in the interest of businesses themselves to become involved in actions designed to maintain or re-establish stability and the rule of law and to assist States to find the road to sustainable development. I think too that we need to bear in mind — and here I am referring in particular to what is taking place in West Africa — that the economy of conflicts in Africa right now most often takes on a regional nature.

If it is necessary to go farther, the question is, how do we move on? My delegation would like to associate itself with what has already been said in contributing to our thinking, as much with regard to conflict prevention as to conflict management and post-conflict situations.

Regarding conflict prevention, I was most impressed by what was said by the President of the World Bank. I can only share his sentiments that giving hope to people is the best way to avoid conflicts — to give them work, to give them opportunities, he said. I am most gratified to see the President of the World

Bank here today in the Council. I think that in a great number of situations that are basically prevention and post-conflict situations, there is the possibility for significant cooperation between us and the Bretton Woods institutions.

The Secretary-General's 1999 Global Compact initiative, I think, is precisely along these lines. If business shows respect for major international standards in the area of human rights, international labour law, non-involvement in the illegal exploitation of natural resources or the illicit trafficking in weapons, then that cannot but contribute to the healthy economy and resources of a country and prevent crisis situations.

Regarding conflict management, I have two comments to make. The first is about an element that I find of increasing concern, one concerning which we cannot remain idle here. This is the development of resorting to private operators in the implementation of actions linked to peacekeeping, including security issues, that classically are the responsibility of States. I consider that that practice is sometimes excessive or uncontrollable.

The second point I wanted to make regarding conflict management is that it is up to the States — and perhaps they do not all do this efficiently in accordance with the provisions of the resolutions of the Security Council — to take appropriate measures to ensure that individuals in business act in accordance with the embargoes enforced. We have a series of resolutions imposing embargoes that are being flouted. States must act to ensure that embargoes are respected.

Regarding post-conflict situations, the President of Siemens referred first to security among the five factors that are necessary for private business to be able to intervene. It is clear; it is a matter of common sense, and we note it daily here. It is important to involve enterprises from the private sector in steps undertaken in post-conflict reconstruction processes, in particular through promoting certain international norms in the public sectors of the countries involved, and more generally through the economic restructuring of those countries, including, as appropriate, activities sponsored by multinational corporations — as is planned, I believe, by the OECD. Finally, and more specifically, private enterprises can help in the disarmament, demobilization, reintegration and resettlement or reintegration programmes.

I think that it is clear to everyone that for the States involved in post-crisis situations it is extremely important to develop a framework which is favourable to the development of business and the local private sector. Here, international organizations, in particular United Nations agencies and the Bretton Woods institutions, can and should make their contribution to the synergy between political stabilization, economic recovery and the strengthening of State structure in post-conflict situations.

I was wondering what the priorities should be for the Security Council today. It seems to me that first, beyond mechanisms to monitor the implementation of sanctions, it would be timely for the Council to systematize its approach for taking into account economic factors in conflict zones and crisis situations. I wonder whether the means to do that should not be the establishment of a mechanism using independent experts with a mission to monitor the illegal exploitation of natural resources and the role of illicit trafficking in fuelling conflicts.

I think that the Security Council should, on a daily basis, be extremely attentive to the mandate of the peacekeeping operations and should in a systematic fashion try to break the link which we see in many crisis situations in illicit trafficking, in particular in drugs and organized crime, bad governance, and therefore the dislocation of those political systems designed to ensure civil peace and prosperity. I think that progress is now being made in drawing up our mandates, and we should continue to act to those ends.

To sum up, these proposals for action perhaps could contribute to the development of a global partnership between the world of the private economy and those organs which, in the United Nations, are working for peace and security. In any case, we await with interest the report of the inter-agency group established by the Secretary-General that we heard about earlier. My delegation is ready to consider follow-up action that the Council could carry out within the framework of its competence.

Mr. Siv (United States of America): Businesses are valuable development partners, providing crucial investment and employment opportunities. As the United Nations Commission on the Private Sector and Development reaffirmed, the private sector is the engine of economic growth, which in turn reduces poverty and creates jobs. In our discussion on the role

of business, we should look at ways to promote economic freedom and create an environment in which the private sector can grow and prosper, for that is indeed its role. Conflict is anathema to businesses. Where conflict prevails, growth and opportunity are lost and business fails. Companies have a genuine and abiding interest in promoting peace as the necessary precondition for growth and market stability.

But businesses do not have the same responsibilities as Governments in conflict prevention, peacekeeping and post-conflict peace-building. This distinction needs to be maintained in our discussions today.

Companies can provide leadership through setting examples of good corporate citizenship. Companies have chosen to do this in many different ways. Some have adopted corporate codes of conduct; others have chosen to participate in voluntary international codes regarding corporate behaviour. Companies represent a vital component of our shared vision of a world of increasing prosperity and peace.

American companies are providing outstanding global leadership as good corporate citizens. In many parts of the world their practices are being adopted by other companies. The Secretary of State Award for Corporate Excellence recognizes the important role United States businesses play abroad as good corporate citizens. In 2003, ChevronTexaco was recognized for its commitment to good corporate citizenship and investments in vital development and poverty alleviation programmes in one of the most challenging regions in the world, the Niger Delta. The United States Steel Corporation received an award for its positive impact on the economic, civic and cultural life of the people of Slovakia.

When the Reverend Leon Sullivan created the Sullivan Principles in 1977 to help end apartheid, he understood that a partnership between business, government and civil society was the most effective way of furthering change.

The United Nations Global Compact has built a multistakeholder process, based on nine social justice principles that promote human rights, labour rights and environmental responsibility. The United States supports the Compact's voluntary approach, which joins together companies, United Nations agencies, labour and civil society in efforts to promote human dignity in a context of freedom and prosperity.

The United States has also supported policy mechanisms that specifically focus on businesses in conflict situations. The United States-United Kingdom partnership on voluntary principles on security and human rights urges businesses to conduct comprehensive risk assessments and to try to ensure that public and private security forces do not have a record of past human rights abuses. We also recommended that companies take steps to ensure that equipment provided to security forces is used for defensive purposes only and that private personnel do not engage in military or law enforcement activities.

Under the Interlaken Declaration and Security Council resolution 1459 (2003), the United States has actively supported the Kimberley Process. This is a multilateral effort that utilizes partnerships between Governments, businesses and civil society to establish international standards for the certification of rough diamonds. The Process will substantially reduce the opportunity for the trade in conflict diamonds, which has left such a tragic legacy across Africa.

The United States also supports the guidelines for multinational enterprises of the Organisation for Economic Cooperation and Development (OECD) and ethical standards, including the International Labour Organization Declaration on Fundamental Principles and Rights at Work. We had an active role in developing the OECD Anti-Bribery Convention and the 2003 G-8 Declaration on Fighting Corruption and Improving Transparency.

We are working to bring market opportunities through the African Growth and Opportunity Act (AGOA). AGOA shows the power of trade to lift people out of poverty. Exports from AGOA nations to the United States are rising dramatically, and the benefits are felt throughout the region. In the words of President George W. Bush, "From Mauritius to Mali, AGOA is helping to reform old economies, creating new incentives for good governance, and offering new hope for millions of Africans".

Mr. Gaspar Martins (Angola): I would like first of all to express my delegation's full appreciation for the very timely convening of this meeting to discuss the role of business in conflict prevention, peacekeeping and post-conflict peace-building.

I welcome the open statement by the Secretary-General. It contains a number of key points for reflection by the Security Council and an agenda for

future work. I would also like to extend appreciation for the excellent presentations by Mr. James Wolfensohn, President of the World Bank; Mr. Heinrich von Pierer, President and Chief Executive Officer of Siemens; Ambassador Marjatta Rasi, President of the Economic and Social Council; and Mr. Dumisani Kumalo, Chairman of the Ad Hoc Advisory Group for African Countries emerging from conflict.

This initiative of the German presidency is to be commended, as it is a creative way of associating the private business sector with the discussion in this Chamber of matters that normally and primarily have been the concern of Governments.

There is general agreement on the need for a new partnership to strengthen efforts to mobilize increased resources to achieve agreed international development goals, including those contained in the Millennium Declaration. African countries should be in the front line of such efforts, as the most affected by conflicts, poverty, disease and economic marginalization. The Global Compact initiative, proposed by the Secretary-General, the Declaration adopted at the 2002 Monterrey Conference on Financing for Development, the G-8 summit meetings and the Third United Nations Conference of the Least Developed Countries, among other international conferences, demonstrated that the need for additional resources remains as important and urgent as when the General Assembly approved the United Nations New Agenda for the Development of Africa in the 1990s. We welcome the efforts undertaken by the United Nations to promote global partnerships and we encourage good corporate citizenship in the belief that the resources required for African development, especially for those countries emerging from conflict situations, cannot be met by domestic sources alone, nor from official development assistance.

It is clear that without important capital flows, particularly foreign direct investment, the long-term challenges posed by post-conflict recovery and reconstruction will persist and those countries might again be faced with the dire conditions that led them to conflict. Therefore, if the international community is to make a real contribution to sustained and lasting peace, a serious and determined effort must be exerted.

The main responsibility for preventing conflict lies with the leaders and social forces of the countries facing political and social crises. However, conflict prevention is also a joint endeavour involving the international community, including international, regional and subregional organizations, States, the business sector and non-governmental organizations. The role played by the business sector, in particular the large corporations, represented here by Siemens, should be underlined. We should also recognize their decisive contribution to formulating growth development products in most countries affected by economic, social and political crises, their decisive role in job creation and their relations with the political and social elite of those countries.

The big corporations, whose presence in some of our countries assume quite often an almost monopolistic position, can and should play a fundamental role in the prevention of conflict. They have a vested interest in the promotion of stability. To this end, they should adopt the best international practices in their dealings, and view business not exclusively from the perspective of profit but also with a view to contributing to the sound development of the countries in which they operate. Unfortunately, the lessons we have learned from the past do not reveal such an idyllic reality. More often, we have witnessed businesses, both large and small, contributing to the forces of division and conflict.

Fortunately, we have more recently witnessed an important process of change and we quite often see large corporations acting as positive forces for exchanges and progress. In this connection, the Kimberley Process, which has been frequently cited in this Chamber this morning, and to which my country has been fully associated since its very beginning, is a clear case of what can be accomplished through partnerships involving Governments, civil society and private companies in preventing conflict. In this connection, we also welcome the General Assembly's adoption, yesterday, of a resolution on the role of diamonds in fueling conflict.

To restore facilities destroyed or rendered inoperative by war, to reintegrate millions of people, refugees and displaced persons, to implement disarmament, demobilization and reintegration programmes and to simultaneously achieve internationally agreed development goals is simply not possible unless the process is supported by the international community, with the international private sector playing a decisive role.

The Council was briefed last week on the recently held Berlin Conference on Afghanistan, in which the international community reiterated its commitment to the future of that country. By securing clear political support and approximately $8.2 billion to finance the reconstruction of Afghanistan over the next three years, with $4.4 billion made available for the first year, the Berlin Conference was a model of how the international community can effectively assist a country emerging from conflict. Similar initiatives should be applied to other countries in post-conflict situations.

I would like to take this opportunity to call the attention of the Council to the situation in my own country, a post-conflict country. We are aware that the creation of a favourable political and institutional environment is a critical factor for promoting economic life and for forging a climate conducive to the sound operation of the private sector. Thus, with the end of war, Angola has decisively embarked on a path of economic reform, with the adoption of a number of business-friendly legislative measures aimed at progressively improving macroeconomic management and accountability. Allow me to cite some examples of this. Angola joined the International Monetary Fund's General Data Dissemination System in order to make key economic data more apparent and strengthen its accountability. The New Partnership for Africa's Development's African Peer Review Mechanism was also recently adopted. With the assistance of the World Bank, a comprehensive strategy to combat poverty has been put in place to accelerate the social reintegration of internally displaced persons and ex-combatants.

With these measures, the country is in a better position to pursue dialogue and build a meaningful partnership with the international community for the reconstruction of the country. Both national and international business are invited and called upon to play a key role in this process and to instil their characteristic dynamism in the economy. This will be a concrete contribution to consolidating peace, stability and the process of national reconstruction in one of the post-conflict African countries in which the Security Council recently played a pivotal role in managing and ending a conflict that lasted for far too long.

This is not the place to pass judgement on the past. Rather, we must look to the future, learn lessons and determine how the Security Council can be instrumental and play a leading role in building an alliance. In this alliance, corporations such as Siemens should be able to justly meet the challenges of creating hope and giving people a future and a world with more peace-building and less armed conflict.

Mr. Adechi (Benin) (*spoke in French*): Thank you, Mr. President, for having organized this debate on the role of business in conflict prevention, peacekeeping and post-conflict peace-building.

It is worthwhile to note that the return on investments in Africa is the highest of the last five years, amounting to approximately 25 per cent. This statistic would have us believe that flows of private investment are being massively attracted to that part of the world. But this is not the case, since investors remain cautious due to the proliferation and persistence of armed conflicts and one of its accompanying results, the disregard for the rule of law. Conflicts discourage investment. Initiatives and actions by certain investors also keep conflicts alive. The last 10 years have clearly shown the interrelatedness of conflicts' duration, the illicit circulation of light arms, the illicit exploitation of natural resources and human rights violations. In the context of a globalized economy characterized by the mobility of its economic factors, the private sector has proven to be a global actor, actively participating in governance both at the national and international levels.

Countries in conflict are characterized by a weakening, if not a collapse, of their institutions. The private sector's contribution would benefit from a well-defined regulatory framework. Such a contribution cannot replace the responsibility of the international community, in particular that of the United Nations system.

The challenges to be met are essentially the following. How do we reconcile the social responsibility of private companies with the need to envisage incentive measures? How do we find a fair balance between the ideals of peace, development and equity and the business sector's cardinal principles of profit-making and productivity? We must also ask ourselves about the private sector's ability at the conflict-prevention stage to make a substantial contribution to establishing and entrenching democracy and good governance, the lack of which is often a source of conflict.

In general, the presence of the private sector is still weak in Africa and largely depends on the public

sector and the State for its survival. In an environment in which the private sector and the State are weak, how do we establish equitable and constructive partnerships with foreign private companies? Moreover, how do we strengthen international cooperation and political will to enforce agreed coercive measures against individuals and private companies that act irresponsibly in conflict areas? How do we make such partnerships with the private sector as inclusive and as integrated as possible? More and more, the international community gives special and increased attention to countries emerging from conflict and countries in conflict. How can we ensure that this is not done to the detriment of countries striving to prevent conflict and to preserve peace and stability? In that connection, the situation of the least developed countries, which are the weakest and most vulnerable to the risk of bankruptcy, deserves more attention. Finally, we must ask ourselves how to get the private sector to join in the integrated, multidisciplinary approach for post-conflict reconstruction.

In that connection, I recall that in Abuja, in March 2003, there was a forum of business people of West Africa. The objective was to provide a platform for West African business people to consider their involvement in the implementation of the New Partnership for Africa's Development, to identify a process by which the private sector could become an important driving force for the economic development of West Africa and to consider the private sector's contribution to efforts for establishing sustainable peace in West Africa. I recall that initiative in order to emphasize that, while in the short term the involvement of the private sector in post-conflict reconstruction is desirable, it will not be cohesive unless it is part of the broader approach to sustainable development and takes into account the socio-economic causes of conflict.

In connection with the challenges I have just outlined, we await with great interest the publication of the report of the inter-agency group established by the Secretary-General in order to examine the recommendations it will make.

The President: Before giving the floor to the next speaker, allow me, due to the late hour, appeal to all members to be as brief as possible in their statements because I think it is in everybody's interest that we still have enough time at the conclusion of the meeting to give the floor to our guest speakers to respond to comments and possible questions.

Mr. Akram (Pakistan): Mr. President, perhaps it is too late for me to respond to your appeal for brevity at this time, but I shall try.

We thank the German presidency for its initiative of holding this public meeting on the role of business in conflict prevention, peacekeeping and post-conflict peace-building. We welcome the statement by the Secretary-General and the participation of Ms. Rasi, President of the Economic and Social Council, Mr. Wolfensohn, President of the World Bank, and Mr. von Pierer, President and Chief Executive Officer of Siemens, as well as Ambassador Kumalo in his capacity as Chairman of the Ad Hoc Advisory Group for African Countries emerging from conflict. The Secretary-General's opening remarks have set the tone for today's meeting, and the statements by the other participants have provided very useful insights.

Although the maintenance of peace and security is the primary responsibility of States, business, as the Secretary-General has said, has a stake in peace and can play an important supportive role in conflict situations, particularly in post-conflict reconstruction.

In today's globalized world, transnational corporations and international business transactions play a major role in influencing economic and political relations among States and non-State actors. World business holds the greater share of the world's capital and technologies — and even jobs. The net worth and sales of major corporations are often larger than the gross domestic product of small and even some medium-sized developing countries. These transnational corporations greatly influence the economic, social and political destinies of States. The extent of that influence increases in inverse proportion to the size of a given State and in direct proportion to the openness of a State's economic and trade regime and particularly its dependence on raw materials and agriculture for exports and growth. Thus, transnational corporations and business have considerable potential for good as well as for bad, especially in the developing countries.

The developing countries that have registered the strongest economic and trade growth in the past few decades are those that benefited from large inflows of foreign direct investment — mainly through transnational corporations and international banking — rather than through official development assistance, which has so far been modest. But foreign direct

investment flows have been limited to only a few dynamic developing countries. Last year, 70 per cent of total foreign direct investment flows went to only 10 developing countries.

Unfortunately, the profit motive — the bottom line of the balance sheet — which is understandably the prime motivating factor for the strategic and operating decisions of business, including transnational business, is not always compatible with the national economic, social and political objectives of the countries concerned. Much of the decline in the terms of trade and export earnings of commodity-producing developing countries has been due to the constructed control of prices by cartels and sometimes by large transnational corporations. That has contributed progressively, over the decades, to the pauperization of many developing countries and the decline in their social and economic conditions, intensifying the causes of domestic social and political tensions that have erupted into conflicts in various parts of the world. A World Bank report has found that States that are highly dependent on natural resources exports are at greater risk of armed conflict than those that are resource poor. That is an irony.

The rigid approach adopted with regard to the issue of the mounting debt of the developing countries has resulted in a consistent net export of financial resources from the developing countries to the developed countries. Last year, the net financial transfers to the developing countries were a negative $192 billion. Those countries' total debt servicing amounted to more than $340 billion last year. Net capital flows to the developing countries amounted to only $74 billion.

There are, unfortunately, also certain direct actions which contribute to the outbreak of conflicts. The Secretary-General has mentioned private business, which produces and provides the hardware for arms used in most armed conflicts. These are the real weapons of mass destruction. Worse still are those unscrupulous businesses which resort to the exploitation of natural resources in supporting militias, factions and warlords in order to facilitate their profits and protect their investments. Several United Nations panels of experts have concluded that the illicit exploitation of natural resources, particularly timber, diamonds and other minerals, by warring factions has sustained conflicts in many African countries.

The adoption by the General Assembly of various resolutions on the role of diamonds in fuelling conflict and the support for the Kimberley Process certification scheme was significant not only in breaking the link between the illicit transaction of diamonds in armed conflicts, but also in intensifying the debate on the need for business to adopt socially responsible policies in conflict situations. A University of Michigan Business School study on the role of business in conflict situations has identified the following five ways in which business can support peace in conflict situations: first, by adopting corporate social responsibility; secondly, by spurring economic development; thirdly, by accepting accountability and supporting the rule of law; fourthly, by building a sense of being part of the community in which it works; and fifthly, by engaging in track-two diplomacy.

Much debate has gone into the question of the adequacy of voluntary codes of conduct, such as the Kimberley Process certification scheme or the Secretary-General's Global Compact initiative to ensure corporate humanitarian responsibility. The majority view is that such voluntary codes, though noble, do not contribute strong incentives for compliance to offset the financial incentives for non-compliance and the lack of rigorous enforcement of such codes. Pakistan shares the view that voluntary codes adopted by business, though valuable, are often not sufficient. We therefore support the view that the activities of business could be governed by a more effective framework that not only creates responsibilities and rights, but that also ensures corporate responsibility and accountability, including respect for the legal rights not only of business, but also of the citizens and communities that are involved.

Such a framework could be based on the principles and purposes of the Charter and respect for international humanitarian law. It could be developed through the United Nations in the cooperative Monterrey process. It could include the five areas mentioned by the Michigan study. It could cover corporate behaviour in every phase of a conflict. It could ensure transparency in commercial transactions. It could provide possibilities for redress. Lastly, it could include a mechanism for monitoring, which would be most valuable.

Mr. Wolfensohn earlier this morning said that the cause of conflict is the lack of hope and that hope can be given by business through the creation of jobs. In

our view, the best contribution that international business can make to promoting peace and security is by actively and consciously supporting balanced socio-economic development in the developing countries. International business could do so by taking some specific actions, such as, first, adopting conscious measures to direct foreign direct investment to a wider spectrum of developing countries, especially the poorest among them, through such means as international investment guarantee schemes; secondly, adopting a more supportive posture towards debt relief for the poorest countries; thirdly, adjusting business strategies to locate the processing of raw materials in the producing countries; and fourthly, supporting greater trade access for developing country exports, especially through the elimination of tariff peaks and tariff escalation, which are discriminatory, and through reform in the system of agricultural subsidies and support that is resorted to by major developed.

Finally, let me add another thought. The profits of transnational corporations and of financial institutions from international business amount to hundreds of billions of dollars, with total sales of over $2 trillion a year for the largest 50 corporations in the world. Is it possible for these corporations and institutions to consider allocating 1 per cent of their net profits to development assistance for the poorest countries, perhaps through an international fund managed jointly through the United Nations and the World Bank? This would be a tangible and direct contribution to development and, indirectly, to conflict prevention, conflict resolution and post-conflict reconstruction. Some corporations are already doing this. Can this become the norm for all and thus create the jobs and hope to which Mr. Wolfensohn referred?

In the words of the Secretary-General, we are not asking corporations to do something different from their normal business. We are asking them to do it differently.

Mr. Isakov (Russian Federation) (*spoke in Russian*): Globalization has made business not only a key player in the global economy, but also an important factor in global policy. The expansion of partnership relations between the United Nations and business, provided for in the Millennium Declaration, is an imperative of our times and should be encouraged to the extent to which such cooperation is in keeping with the spirit and letter of the United Nations Charter, above all in the social and economic sphere, is mutually beneficial and works to strengthen the authority of the Organization.

It is precisely in that broad context that we view Germany's initiative to discuss, within the framework of the Security Council, the role of business in conflict zones. The Council's debate, enhancing the political significance of the problem and enriching it through the Council's experience in dealing with crises in a number of African countries and other flashpoints, seeks to contribute to the elaboration by the General Assembly and the Economic and Social Council of an integrated approach to the interaction between the United Nations system and the private sector in the interests of development and of achieving the Millennium Development Goals.

As regards interaction between the business community and the United Nations in conflict prevention, peacekeeping and post-conflict peace-building, one starting point methodologically could be the fact that it is precisely business that must support and supplement the peacekeeping efforts of the Security Council and the United Nations as a whole, and not the other way around. Moreover, the parameters for such interaction must be drawn up in a dialogue with the private sector, taking into account its own specific approaches. The forthcoming Global Compact Leaders Summit on 24 June could be a useful forum in which to elucidate those approaches. Furthermore, it may be possible to organize a discussion of these issues in the context of the United Nations regional economic commissions. Such a dialogue could become even more substantive and more closely linked to the practical tasks ahead through the convening of individual focused discussions between representatives of the United Nations and interested business circles regarding subregions and specific flashpoints that are subject to crises.

In principle, the idea is of interest that, in zones of conflict, business would act on the basis of a voluntary system of self-regulation that would promote the avoidance of conflict and the settlement of its consequences. Universally recognized principles that must guide responsible businesses in normal circumstances — such as respect for human rights and non-participation in improper political activities, in particular activities likely to involve violations of human rights and gender equality — take on particular significance in conflict zones. Here, we must build on existing groundwork in the framework of the Global

Compact and on the positive experience gained in the Kimberley Process.

But it is clear that voluntary self-restraint measures based on purely ethical standards and universally recognized principles are not in themselves a panacea. It is therefore important to be guided at the same time by existing international legal principles and norms and to make full use of existing early warning and conflict prevention techniques and mechanisms which have proved their effectiveness.

Turning to the work of the Security Council, it should focus first and foremost on issues related to the creation of the political conditions necessary to taking advantage of the positive potential of business to promote post-conflict peace-building. Here, it is critically important to ensure the required transparency and to draw up clear and understandable rules for the activities of foreign companies in the markets of States that are engaged in post-conflict reconstruction. Such rules and procedures must be based on principles of political impartiality, equality and fair competition.

One promising area could be strengthened interaction between the Council and the Bretton Woods institutions with a view to promoting the timely involvement of those institutions in post-conflict reconstruction; that, in turn, would create a favourable climate for private-sector involvement in various individual aspects of peace-building.

Ms. Menéndez (Spain) (*spoke in Spanish*): Preventive action and, in general, the maintenance and building of peace require a global approach that involves the international community as represented by the United Nations, regional organizations, affected Governments and their neighbouring States, as well as civil society — which must always have an important supporting role to play, as the General Assembly emphasized last summer in its resolution 57/337, on prevention of armed conflict.

We all agree that the best way to avoid the outbreak of conflict is to build democratic societies in which good governance and the rule of law are the norm and in which economic growth is sustainable. Here, the role of civil society is of great relevance. Economic stability is a key precondition for the consolidation of any peace process, and attaining such stability is thus an essential objective that must be reached through the concerted efforts of the authorities, which must make rational use of natural resources, and of civil society — and in particular the business sector — which must participate responsibly in the reconstruction process. When necessary, that must be complemented by support from the international community.

It is also essential that the business sector not contribute to economies that support a given conflict. Here, for example — and in accordance with Security Council resolution 1343 (2001) — it is our view that all Member States must take appropriate measures to ensure that individuals and companies in their jurisdictions observe the embargoes put in place by the United Nations.

Sir Emyr Jones Parry (United Kingdom): I am grateful to you, Mr. President, for raising this important issue, and to those who have already contributed to today's debate. The private sector clearly has a crucial role in promoting global economic prosperity and sustainable development. Zones of conflict present a particularly challenging environment for business. The Secretary-General is to be congratulated on his initiative to launch the United Nations Global Compact, which sets out principles to help businesses contribute to global sustainable development, thus reducing the risk of conflict. The United Kingdom is pleased to contribute to the costs of the Compact.

The key question is how business can play a positive role in conflict situations. We should expect business activities, as a minimum, not to make conflict worse. But business can and does make positive contributions to development and economic prosperity, creating jobs and hope, as the President of the World Bank put it. That is indeed key. But business can also help develop the rule of law, for instance through securing investments, defining property rights, forming contracts and building up a body of commercial law. And individual local business leaders have a clear role themselves in working to transform the societies in which they operate.

In terms of best practice, non-governmental organizations and others have prepared specific advice for business with respect to its behaviour in zones of conflict. These underline the importance of companies doing the following: respect human rights, their employees and those on whom their operations have an impact; avoid abuses of human rights by security forces acting in protection of their security; insist on maximum transparency; make it clear that they will not

accept or tolerate corrupt practices; and signal clearly when their experience suggests that conflict may be emerging.

Again, in conflict situations, companies should refuse to do business or engage with any of the following: individuals, companies or entities known to have benefited from the direct assistance of combatants; those supplying arms to forces involved in the conflict; those connected with the smuggling of natural resources; or those seeking to take advantage of instability to secure lucrative contracts or concessions.

Many companies, of course, support such good practice. The British Government is engaged in several initiatives designed to encourage and support good practice in business behaviour: first, as my colleague from the United States has already alluded to, the voluntary principles on security and human rights in conflict zones; secondly, as the Secretary-General referred to, the extractive industries transparency initiative; and thirdly, the Kimberley Process, which has already been mentioned by a number of colleagues. Those kinds of initiatives offer new ways and means to promote effective contributions from business to conflict prevention and resolution.

But the role of business in conflict zones is particularly acute in Africa. Africa has historically suffered from many conflicts involving disputes over control over exploitable resources. Today, one of the three major ongoing conflicts in Africa involves natural-resource issues, and several African countries emerging from conflict have been experiencing disputes over control of those resources. Africa desperately needs private investment in its economic development. The New Partnership for Africa's Development (NEPAD) has a crucial role to play in this. Its focus both on the resolution and prevention of conflict and on the promotion of the private sector provides the basis for expansion. We note and welcome work already under way to create standards in the exploitation and management of resources in conflict areas. We also welcome the NEPAD initiative under way in South Africa that commits businesses to conducting their affairs in compliance with high ethical standards on corporate social responsibility. In general, let me take this opportunity to underline the importance of NEPAD to African development and the importance of maximal international support for that welcome initiative, especially as we approach next year's fifth anniversary of the Millennium Declaration.

In conclusion, I would like briefly to say that it is not the role of business to take the lead in resolving conflict. But business can make a significant contribution. It is in that context that the countries involved should do the following: encourage businesses to be aware of the vital role they have to play and the damage they can do if they do not behave responsibly; and advise businesses on the operating environment in conflict zones and encourage them to carry out risk assessment and management.

Our hope is that the Council today will encourage all States to play their part in advising and encouraging business in that way, and to accept a particular responsibility to do so in relation to companies headquartered in their own territories.

Mr. Baja (Philippines): We congratulate you, Sir, on your presidency and thank our four honoured guests for enriching our debate. As the thirteenth Council member to speak on this item, almost all that should be said has already been said. Allow me, therefore, to recall the parable of the greatest man.

A very religious and wealthy businessman was at a business conference. To add some excitement, he proposed a contest among a group of friends composed of an Italian, an American, an Englishman and a Chinese man. He announced: Friends, I will pay your hotel bills for a week and award a construction contract for the reconstruction of Gloritania to anyone who can identify the greatest man who ever lived. The Italian said it must be Christopher Columbus because he discovered the United States of America. The American said it must be George Washington because he led the United States to become one of the most powerful countries in the world. The Englishman said it must be Winston Churchill because he led us to do our best during our worst time and he is known for his wit and eloquence.

All of this was rejected by the businessman. Then came the Chinese man who said the greatest man who ever lived was Jesus Christ. Correct, said the businessman. I will arrange to pay your bill. You won the contract. As the Chinese shook hands with the businessman, the latter said, congratulations for winning by naming the greatest man on earth. However, I am even more impressed, considering that you are not a Christian. Well, said the Chinese man, I still think honestly that Mao Tse Tung was the greatest man, but, you see, business is business.

This is not the theme of our intervention. It is to say, in a brief form, that for better or for worse, business plays a big role in international life. The private sector is a global partner in conflict prevention and post-conflict reconstruction. In times of peace, business is an engine of economic growth and in times of post-conflict reconstruction, business becomes an instrument for sustainable peace and development.

Multinational corporations and even small and medium enterprises have a role in creating wealth and in promoting socio-economic development. Directly or indirectly therefore, they have a role in contributing to the prevention and resolution of conflict.

The role of business, however, can be positive or negative, or a combination of both, depending on the situation. Economic growth helps improve situations of existing or potential conflict, but it offers a double-edged effect because if the benefits of economic growth are unevenly distributed, they can increase rather than decrease the potential or existence of conflict. Moreover, in post-conflict situations, there is a tendency for violent conflict to arise or resurface if economic development is not accompanied by the strengthening of social and civil institutions.

Already, some companies are becoming aware of their negative and positive impacts on society. Other companies, however, including those involved in the arms industry or in the illegal drug trade, are being identified as direct causes of violent conflict. The question is, how will the Security Council address that concern?

While business plays a crucial role in conflict prevention and post-conflict situations, the more crucial question is how to harness that role in order to safeguard global peace and security. The Philippines believes that appropriate support systems should be established.

First, an enabling environment should be created so that the private sector can conduct its business. Business establishments cannot do this alone. The enabling framework for preventing and resolving violent conflict must first be in the hands of the Governments themselves at the national and international levels.

Secondly, there is a need to forge partnerships between the public and private sectors. Partnerships are a valuable mechanism for addressing policy issues.

Thirdly, economic development should be accompanied by the strengthening of the social, capital and civil institutions that are essential in post-conflict situations. They are necessary in order to prevent the re-emergence of violent conflict.

Businesses often breathe and think with their pockets. But they can also take a proactive stance during the post-conflict period. They can participate in truth and reconciliation commissions, support weapons hand-ins, amnesties and demobilization programmes. They can also provide funding and managerial support to build the capacity of government services, including judicial systems and police forces.

The Prince of Wales Business Leaders Forum in 1998 has identified major areas that provide useful frameworks for preventing and resolving conflicts. As the Council on Economic Priorities has aptly put it,

> "The challenge of conflict prevention and resolution is about values-based relationships at every level of the company and at every level of the society. The question of whether a company contributes to conflict or helps to prevent it, depends on the values, policies, and operating guidelines of the company and the way its employees and business partners accept, interpret, and implement these."

The same is true for the international community. The prevention of conflict and the maintenance of peace depend upon the values, rules and norms of the international community, and the way countries accept, interpret, and implement those norms.

Mr. Sardenberg (Brazil): Our delegation welcomes the opportunity to participate in this enriching exchange of views. We appreciate your bringing before us today the very challenging subject of the role of business in conflict prevention, peacekeeping and post-conflict peace-building.

We do not underestimate the influence of complex internal and external economic interests in conflict. In many instances, economic factors such as disputes over natural resources or international markets may have contributed to generate or escalate war. Nevertheless, companies also have a lot to lose with war and conflict. Business is normally built on the basis of an aversion to risk, and a stable political and social environment actually means reduced risk. Business also has a clear interest in reducing risk by

working towards conflict prevention and helping reconstruct economies after war.

This morning, Mr. von Pierer, speaking for Siemens, provided us with a good example of a business vision, and of the contribution it can give to peace-building efforts.

The primary and most evident role of business activity in promoting peace and stability is the generation of wealth. Business activity creates opportunities for desperately needed income generation in war-torn countries. When business is on the rise, so is investment, employment and the availability of essential goods. Infrastructure and technology development will also benefit from increased economic activity. That gives people hope, as was stressed by the President of the World Bank, Mr. James Wolfensohn.

Companies also contribute to peace through the empowerment of communities. Their comparative advantages can be used in areas such as human resources and management skills development, support of civil society, economic empowerment and promotion of equitable hiring and better labour standards.

Private business may also assist in conflict management, either by refraining from assuming attitudes that would worsen the conflict or by acting within the framework of a coherent national development policy, thus contributing to economic sustainability. The private sector can contribute towards implementing governmental programmes, including in the fields of foreign aid and humanitarian assistance and in partnership with local authorities and the international community. In that context, the role of regional and subregional cooperation acquires particular importance.

Last week, we were pleased to hear accounts of how regional cooperation is helping rebuild infrastructure in Afghanistan and how regional joint action is being taken to face drug trafficking, which constitutes a central problem for that country and, in the end, for all of us. Regional economic development strategies lead to sustained stabilization and must be regarded as an important dimension of peace-building efforts.

We must remain aware, though, that the private sector alone, acting out of enlightened self-interest, will not create the ideal environment for promoting peace. Its action, important as it is, is not a substitute for the essential role played by public authorities. The latter have primary responsibility for providing incentives for economic activity, investing in social and economic development, encouraging partnerships and carrying out sound public policies in areas such as trade, agriculture and industry. Decisive action by public authorities in those areas must be supported by intergovernmental organizations and peacekeeping agencies.

On a broader scope, public authorities must also be able and willing to take measures related to the rule of law, property rights and sound economic management, and be ready to fight corruption. Those measures will help create a favourable environment for the development of business and its engagement in recovery and reconstruction efforts. Special attention must be paid to incentives offered to small and medium enterprises, due to their potential for job creation.

On the one hand, the benefits of business engagement in promoting economic development and social justice are very significant and must be especially encouraged in reconstruction programmes. On the other hand, in order to prevent negative involvement of business actors in conflict, their activity must be subject to public scrutiny and, not least, good practices must be publicly recognized.

The case of conflict diamonds offers a good example of how the international community can act to curb the negative effects of trade. We welcome the fact that yesterday the General Assembly adopted a resolution strongly supporting the Kimberley Process for international certification — an important tool in the effort to reduce the role played by the diamond trade in financing armed conflict. Security Council resolution 1459 (2003) also supports the ongoing Process, and Brazil has incorporated it in its domestic legislation.

In the field of setting standards for corporate practices, we note with great satisfaction the Global Compact initiative launched by the Secretary-General three years ago. In the effort to create a more inclusive and sustainable global economy, the programme has brought together businesses and United Nations agencies, workers' associations and civil society, helping promote fundamental principles of corporate citizenship and increase corporate support for corporate responsibility practices. Many Brazilian enterprises

participate in the Global Compact initiative, which is firmly supported by our Government.

Brazil favours a closer cooperation between business and the United Nations. The role of business in conflict management is being increasingly taken into account by development initiatives. The New Partnership for Africa's Development, which was already referred to here, launched in 2001, helps fight poverty, underdevelopment and marginalization in the continent. It incorporates the idea of mobilizing resources with private sector participation to contribute to creating a favourable environment for conflict prevention and the prevalence of peace.

History offers a number of examples of involvement of business in international and intra-State conflict. The new modern international awareness of the role of business and its responsibilities in times of conflict will certainly help make business a firm ally of peace, together with the United Nations family, the international financial institutions and non-governmental organizations. In particular, we share the views expressed by the President of the Economic and Social Council, Ms. Rasi, to the effect that much more can be done by the General Assembly, the Security Council and the Economic and Social Council, working together, to develop a comprehensive and more rapid response to countries in special situations and also to envisage a long-term perspective towards both sustainable development and conflict prevention.

Ambassador Kumalo recalled the instances of cooperation being provided to Guinea-Biseau and Burundi. We believe that such cooperation should be expanded. Active business participation is crucial, not only for economic development but also for social justice, and has a sure impact on peace-building. The Brazilian delegation is ready to participate in all efforts towards enhancing the cooperation between the United Nations and the business sector in conflict prevention, peacekeeping and post-conflict peace-building.

The President: I will now make a statement in my capacity as a representative of Germany.

First, my delegation would like to thank the guest speakers for their contribution to this discussion. I will not repeat what has been said already by previous speakers; I will merely restrict myself to a short statement on two aspects that are important to my delegation. One is the whole complex of entrepreneurial responsibility, the so-called global corporate citizenship, and the other is the huge potential for private sector activity in any development or reconstruction strategy.

The issue of corporate citizenship in zones of conflict has generically not been dealt with by the Security Council. Yet the Council has given attention to the involvement of the private sector in countries and regions experiencing violent conflicts through various resolutions pertaining to individual cases. The Council has, for example, imposed sanctions in an attempt to end hostilities by reducing the opportunities for combatant self-financing through trade in conflict commodities. Diamonds and timber can be named in this regard. The Secretary-General has prominently addressed the issue of corporate citizenship through his Global Compact initiative, and the Global Compact policy dialogue has turned out to be very successful, committing to date over a thousand companies and organizations to voluntarily engage in socially and ecologically responsible and sustainable business practices.

My second point is that private sector activity in the post-conflict phase of reconstruction is essential to sustainable resolution of conflicts, as such activity projects political stability and helps to prevent the possible resurgence of conflicts in the future. Multinational corporations, working in partnerships with Governments, international organizations, non-governmental organizations and civil society, can use their business skills and financial leverage to promote regional stability. In countries in which peace efforts are foundering, a tangible promise of employment, trade, direct investment and the promotion of local enterprise can have a major effect. Ideally, corporate participation would provide twin benefits: investment with resulting jobs and business opportunities, and provision of managerial know-how and expertise. Other actors in the field — the United Nations, the international financial institutions, non-governmental organizations and civil society — would profit in their own efforts to overcome a conflict situation.

Yet in the end, it is not for Governments or international organizations to decide what is in the best interest of the private sector. Companies will make their own decisions, weighing opportunities against risks of engagement in zones of conflict. The United Nations, the international financial institutions and national Governments, in this regard, are called upon to create the necessary framework for private sector

engagement. The question of what can be done to adequately address the risks the private sector runs in engaging in post-conflict situations is crucial in this context.

Equally important is a clear perspective for the creation of a stable legal framework, the rule of law, adequate administrative structures and the establishment of a viable private sector. A stabilized region is a precondition for successful development at the country level. A lucid example of that is, in spite of many tasks still ahead, the Stability Pact for South-Eastern Europe. This Pact incorporated three crucial elements — first, a coherent political, economic and security approach; secondly, the close cooperation of all relevant stakeholders; and, thirdly, the regional dimension of conflict resolution.

Private sector engagement in all phases of a conflict can be successful only if it is embedded in a broader concerted effort accompanied by strong partnerships among Governments, international organizations, business and civil society. In conclusion, I would therefore like to encourage the relevant United Nations bodies and agencies, including the Bretton Woods institutions, as well as civil society, to cooperate closely with the private sector, to support a climate of peace in conflict-prone regions, to help mitigate crisis situations and to contribute to reconciliation processes. I take note of, and warmly welcome, the Secretary-General's suggestion that the Security Council should, in the future, focus greater attention on this issue.

I shall now resume my functions as President of the Council. I call on Mr. Wolfensohn, President of the World Bank, to respond to comments and possible questions raised.

Mr. Wolfensohn: I think there is such a rich array of comments that, at this stage, to try to respond to all of them would not be a good idea. Let me say simply that I have been greatly impressed by the discussions this morning. In fact, as any members retire, they would be welcome on the Board of the World Bank, if they are looking for a different career, because it is clear that there is a significant community of interests between the work of this Council and the work of the Bank.

The one thing that I am frustrated about is that I am unable to articulate to members the extent to which we are already engaged in the issues of framework for business, demobilization, dealings with low-income countries, ensuring investments of leading small- and medium-sized enterprise financing, advocating trade and working on the New Partnership for Africa's Development. Our institution is right in the middle of many of the individual issues that members have raised. Let me simply say that we welcome this additional opportunity to work with the United Nations system. If the Council does indeed follow the suggestion that the subject of today's discussions become a point of greater emphasis in the Council's deliberations, we stand ready to work with and support the Council in any way it would find useful.

The President: I call on Mr. Heinrich von Pierer, President and Chief Executive Officer of Siemens.

Mr. von Pierer: I will make three brief remarks. First, I understand that there are concerns about how business can find the right balance between profit-making and good corporate citizenship. I think it is possible to find such a balance and, in my opinion, there is no doubt that it is absolutely mandatory to do so because business also wants to live a world of peace and prosperity. The representative of the United States gave impressive examples of successful companies receiving awards for their good corporate citizenship. There are more such good examples. You, Mr. President, referred to the Global Compact initiative. I think participation in this initiative is also an example of how business takes seriously being successful in the area of corporate citizenship.

Secondly, I would like to come back to the necessity to fight poverty and the lack of hope. In that context, I would be glad if we could achieve broad cooperation among the United Nations, the World Bank, Governments and private companies to promote education through a broad and systematic approach. I would like to reiterate what has been said this morning — people want hope for their children. A project for education for peace and prosperity could be a very effective way of promoting conflict prevention, peacekeeping and post-conflict peace-building.

My third remark is only to thank the Council again for giving me the opportunity to participate in this important and very productive meeting this morning.

The President: I call on Ambassador Marjatta Rasi, President of the Economic and Social Council.

Ms. Rasi: As has been stated by the two previous speakers, there is a lot one could say, but at this late stage I will only raise a few issues.

It was mentioned by many, if not all, speakers that sustainable economic growth is indeed a key to conflict prevention. This is an area where we need very good cooperation among the United Nations family, Governments, civil society, non-governmental organizations and the private sector.

The question is how, in the years and months to come, do we bring these multi-stakeholders together so that we can really work together in promoting these good ideas? When we, in this building, discuss conflict prevention and peace-building, how can we then have the other stakeholders sit together with us around the same table? This is something we should discuss, as we should also discuss how we can, within the United Nations system, have closer cooperation in these fields.

On my behalf, I would like to thank you, Mr. President, for this very important and valuable initiative, and I do hope that we will continue this important debate.

The President: Please allow me two minutes to make a concluding statement on behalf of the Council. I would like to conclude today's debate by underlining a few facts that can be taken from virtually all statements made today.

First, business indeed does have an important role to play in conflict resolution. Secondly, the modalities of engagement of the private sector may vary according to the circumstances of the case, but we have a number of examples with lessons learned both at the national and the regional levels. Thirdly, while there will be no guarantee for the successful resolution of a conflict because of private sector engagement, it seems clear that without participation of business, resolving violent conflicts will be virtually impossible.

Fourthly and lastly, the main United Nations bodies, as well as the major stakeholders within and outside the United Nations system, including the World Bank and other international financial institutions, should work together in close partnership with the private sector in creating the necessary political, security, economic and financial framework. I hope that this debate can contribute to further enhancing the role of the private sector in conflict prevention, peacekeeping and post-conflict peace-building. I intend to circulate a summary of this meeting in due course.

Finally, I would like to thank all speakers for their contributions, but particularly our guest speakers, whose engagement in today's discussion has highlighted the importance of the issue at stake. We all appreciate very much that they made the effort to come here to participate in our discussion.

There are no more speakers on my list.

The Security Council has concluded the present stage of its consideration of the item on its agenda.

The meeting rose at 1.20 p.m.